CANTO

EX PARTE OR LATE FILED

CARIBBEAN ASSOCIATION OF NATIONAL TELECOMMUNICATION ORGANIZATIONS
... STREET NEWTOWN PORT OF SPAIN TRINIDAD ...
Tel ... 3770 ... Fax (868) ... Website www.canto.org

ORIGINAL

SG/03/08/01

ORIGINAL

RECEIVED & INSPECTED
AUG 14 2003
FCC - MAILROOM

2003 August 11

Ms Marlene H Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, N W
Room TW-B204
Washington, D C 20554
USA

Dear Ms Dortch

Re: Ex Parte Submission in IB Docket Nos. 02-324 & 96-261

Further to our letter dated 12 May 2003 commenting on the Notice of Proposed Rulemaking (FCC 02-285), the Caribbean Association of National Telecommunication Organizations ("CANTO") wishes to submit the following additional comments on the issue of mobile termination rates

Mobile Termination Rates

CANTO supports the concept of cost-orientation in the rates charged for the termination of all international switched telephony, including calls to mobile networks Further, CANTO recognises that higher rates for calls terminating on mobile networks than for calls terminating on fixed networks do not necessarily reflect the abuse of market power In support of this, an Ovum Study has observed "The cost of terminating a call on the cellular mobile network is significantly higher than the cost of terminating a call on the fixed network " While CANTO does not take a position here on the exact size of the cost disparity, it should be noted that Ovum's own cost models suggest a cost ratio of 10 1 The explanation for some portion of this cost differential is that the mobile termination rate covers more access costs in countries with a "calling party pays" regime than in countries, like the U S , with a "receiving party pays" regime In addition, other factors result in higher costs for a mobile network in either regime, and there may be some flexibility in the various methodologies for allocating joint and common costs to establish somewhat higher termination rates for mobile-terminating traffic

In this context, CANTO believes that each country's National Regulator has the responsibility to review the termination rates charged by its mobile operators and to take any actions that are necessary and appropriate to ensure that mobile termination rates satisfy international standards of cost orientation Indeed, a National Regulator is the only entity that commands both the data, expertise and perspective necessary to establish cost-oriented rates within the specific industry and competitive conditions for its country National Regulators around the world are taking this responsibility seriously and have looked carefully at this issue, often in formal and transparent regulatory proceedings CANTO wishes to note that this situation is dramatically different from the accounting rate system that existed prior to the FCC's adoption of the benchmark regime in 1997, where National Regulators typically did not actively prescribe, review or regulate the settlement rates imposed on the termination of international switched telephony For these reasons, CANTO strongly advocates that the FCC should not seek to intervene in the regulation of non-U S mobile termination rates at this time

ITU Recommendations

CANTO continues to believe, like the FCC and other Administrations worldwide, that settlement and termination rates should be governed by the principles of cost-orientation We also believe that ITU recommendations D 140 and D150 should be the guide adopted by the international community Under ITU recommendation D 150, three new menus of remuneration systems for international traffic were adopted to which the Unites States subscribed The systems are

- Termination charge
- Settlement rate
- Bilaterally negotiated commercial arrangement in relations between competitive markets

Accordingly, CANTO believes that it is inappropriate for one country to attempt to unilaterally establish another country's mobile termination rates based essentially on best guesses or benchmarks resulting from imprecise tariff component pricing, or on costing approaches that are inconsistent with local or international directives in accordance with the principles in ITU recommendation D 150

CANTO wishes to note that the FCC's benchmark regime has resulted in significant harm to many developing countries around the world by transferring massive revenues into the pockets of the U S international carriers As CANTO and other parties have documented in this proceeding, the U S operators have abjured the intent and spirit of the benchmark order by refusing to pass-through settlement cost reductions in the form of lower calling rates to developing countries Given this history, it would be inappropriate for the FCC to intervene unilaterally in the area of foreign mobile termination rates today Such intervention by the FCC is particularly unnecessary since the interests of U S consumers are identical to the interests of domestic consumers in foreign countries who originate calls terminating on mobile networks, and foreign National Regulators will take those interests fully into account when deciding the often complex issues regarding the preferred structure and level of mobile termination rates

In closing, CANTO submits that the FCC should express any concerns regarding mobile termination rates through the appropriate multilateral fora without impinging upon the authority of National Regulators to address the issue in the first instance within their own countries

Respectfully submitted

Selby Wilson
Secretary General